

# DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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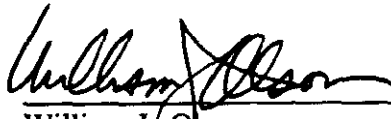
POSTAL RATE AND FEE CHANGES, 1997 )

POSTAL RATE COMMISSION  
Docket No. R97-1

RESPONSES OF CTC DISTRIBUTION SERVICES, L.L.C.  
TO INTERROGATORIES OF UNITED PARCEL SERVICE (UPS/CTC-T1-1-20)  
(February 3, 1998)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, CTC Distribution Services, L.L.C., hereby provide the responses of witness John L. Clark to the following interrogatories of the United States Postal Service: UPS/CTC-T1-1-20, filed on January 20, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

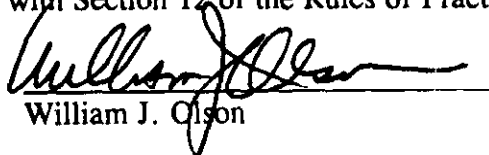


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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.

  
William J. Olson

February 3, 1998

Response of John Clark to UPS/CTC-T1-1  
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**UPS/CTC-T1-1.**

Please refer to lines 4 through 7 on page 1 of your testimony, where you state, "...CTC has grown to become the largest shipper of small parcels to the residences of individual consumers in the United States for the direct marketing industry."

- (a) Identify all other "shipper[s] of small parcels to the residences of individual consumers in the United States for the direct marketing industry."
- (b) Provide as complete a list as possible of businesses which CTC considers to be its competitors.

**Response:**

- (a) To the best of my knowledge, RMX Logistics of Reno, Nevada and Parcel Corporation of America, are two companies of which we are aware, which offer services somewhat similar to CTC. There may be others.
- (b) United Parcel Service, United States Postal Service, RMX Logistics, Parcel Corporation of America and Federal Express.

**Response of John Clark to UPS/CTC-T1-2**

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**UPS/CTC-T1-2.**

Please refer to lines 8 through 14 on page 1 of your testimony, and in particular to lines 13-14, which state, "Final delivery is made by a parcel delivery company."

- (a) For each year from 1990 through 1997, identify all parcel delivery companies used by CTC to make final delivery.
- (b) For 1997, provide the number of parcels delivered by each parcel delivery company used by CTC to make final delivery.

**Response:**

- (a) and (b) See objection previously filed.

**Response of John Clark to UPS/CTC-T1-3**

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**UPS/CTC-T1-3.**

**Provide separately for each year from 1993 through 1997 the number of parcels sent by CTC in each separate Postal Service subclass and rate category.**

**Response:**

**See objection previously filed.**

**Response of John Clark to UPS/CTC-T1-4**

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**UPS/CTC-T1-4.**

Please refer to lines 17 through 21 on page 1 of your testimony, where you indicate that CTC "is a user of ... local and regional carriers...." Please provide a list of all local and regional carriers (a) currently used by CTC, and separately, (b) used by CTC at any time during 1997 "for the final delivery of [CTC's] shipments" (see line 21 on page 1 of your testimony).

**Response:**

See objection previously filed.

**Response of John Clark to UPS/CTC-T1-5**

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**UPS/CTC-T1-5.**

**Please refer to lines 8-9 on page 2 of your testimony, where you indicate that, "[b]y 1993, almost all of CTC's business had migrated to the Postal Service."**

- (a) Why did CTC shift almost all of its business to the Postal Service by 1993?**
- (b) Is the time in transit provided by the Postal Service acceptable and satisfactory to CTC?**
- (c) Is the overall quality of service provided by the Postal Service acceptable and satisfactory to CTC?**
- (d) Has any aspect of the service provided to CTC by the Postal Service improved at any time from 1994 to the present? If so, provide all respects in which the Postal Service's service to CTC has improved.**

**Response:**

- (a) Postal Service delivery was the option selected by its clients**
- (b) Yes.**
- (c) Yes.**
- (d) Yes. The Postal Service's adoption of an improved practice relative to the delivery of parcels, Form 3849 (Delivery Notice/Reminder Receipt), its adoption of a "carrier leave if no response" delivery option, and improved systems to handle incoming loads at bulk mail centers are examples of improvements in service.**

**UPS/CTC-T1-6.**

Please refer to line 4 through 8 on page 2 of your testimony, where you indicate that beginning around 1991, "CTC began offering Postal Service delivery, as well as UPS delivery, for a final delivery option to its clients."

- (a) Who selects the carrier which makes final delivery, CTC or its clients?
- (b) To the extent this decision is made by CTC, what factors does CTC take into account in making that decision?
- (c) To the extent CTC's clients make this decision, what have those clients indicated to CTC about the factors they take into account in making that decision?

**Response:**

- (a) Clients.
- (b) Not applicable.
- (c) Lower cost, acceptable levels of service, and availability of an alternative to UPS.

**UPS/CTC-T1-7.**

Did CTC play any role in the development of the Postal Service's Parcel Post proposals in this proceeding? If so, please (a) describe the role which CTC played, (b) indicate whether specific discounts or rate levels for the various proposed new discounts were discussed by the Postal Service and CTC before the Postal Service's Request initiating this proceeding was filed, and (c) state whether the proposed discounts or rate levels were changed during the course of those discussions.

**Response:**

- (a) Yes. CTC encouraged the Postal Service to propose more worksharing discounts as well as what we perceived would be improvements in such areas as insurance and tracking parcels to destinations.
- (b) No.
- (c) Not applicable.



**Response of John Clark to UPS/CTC-T1-8**

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**UPS/CTC-T1-8.**

- (a) Please refer to lines 2 through 6 on page 3 of your testimony. For 1997, provide separately the volume of packages entered by CTC at:
  - (1) Origin Bulk Mail Centers;
  - (2) Destination Bulk Mail Centers;
  - (3) Destination Sectional Center Facilities;
  - (4) Destination Delivery Units.
- (b) Provide the number of Postal Service facilities at which CTC tendered parcels to the Postal Service during 1997.

**Response:**

- (a) See objection previously filed.
- (b) 47 facilities.

**Response of John Clark to UPS/CTC-T1-9**

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**UPS/CTC-T1-9.**

Assuming the discounts and rates for Parcel Post proposed by the Postal Service in this proceeding were implemented, provide an estimate of (a) the total number of parcels CTC will enter at Postal Service facilities in 1999 and (b) the number of parcels CTC will enter in 1999 at the following types of Postal Service facilities:

- (a) Origin Bulk Mail Centers;
- (b) Destination Bulk Mail Centers;
- (c) Destination Sectional Center Facilities;
- (d) Destination Delivery Units.

**Response:**

See objection previously filed.

**Response of John Clark to UPS/CTC-T1-10**

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**UPS/CTC-T1-10.**

**When CTC tenders a shipment of parcels to the Postal Service at a Bulk Mail Center, who unloads the CTC vehicle, CTC or postal personnel?**

**Response:**

**Postal Service personnel, assisted by driver when requested.**

**Response of John Clark to UPS/CTC-T1-11**

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**UPS/CTC-T1-11.**

**When CTC tenders a shipment of parcels to the Postal Service at a Sectional Center Facility, who unloads the CTC vehicle, CTC or postal personnel?**

**Response:**

**Postal Service personnel, assisted by driver when requested.**

**Response of John Clark to UPS/CTC-T1-12**

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**UPS/CTC-T1-12.**

- (a) When CTC tenders a shipment of parcels to the Postal Service at a Destination Delivery Unit, who unloads the CTC vehicle, CTC or postal personnel?
- (b) When CTC tenders a shipment of parcels to the Postal Service at a Destination Delivery Unit, does CTC's employees shake out any sacks on Destination Delivery Unit's platform?

**Response:**

- (a) To date, no parcels have been delivered by CTC to Destination Delivery Units.
- (b) Not applicable.

Response of John Clark to UPS/CTC-T1-13

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UPS/CTC-T1-13.

Please refer to lines 2 through 4 on page 4 of your testimony, where you state, "[f]reedom to enter the market and compete has resulted in more alternatives for shippers, lower costs and improved service."

- (a) Are there more alternatives for shippers of small parcels now than there were in 1991?
- (b) Are there more alternatives for shippers of small parcels than there were in 1995?

Response:

- (a) As this question relates to the subject at hand, the single-source nationwide delivery of small parcels utilizing ground service, the answer is no with the possible exception of services offered by Federal Express.
- (b) Same as above.

**UPS/CTC-T1-14.**

Please refer to lines 13-14 on page 7 of your testimony, where you indicate that "Priority Mail is not under consideration for work-sharing discounts or expanded entry options *in this proceeding*" (emphasis added). Do you know whether work-sharing discounts or expanded entry options for Priority Mail are under consideration? If so, discuss your understanding of what possible proposals are under consideration.

**Response:**

It is my understanding that the Postal Service proposes in this proceeding to eliminate an existing presort discount for Priority Mail. I know of no proposals for worksharing discounts or expanded entry options for Priority Mail.

**UPS/CTC-T1-15.**

Please refer to lines 9-13 on page 8 of your testimony, where you indicate that "traditional air freight companies expanded into ground services" in the 1990's. Identify all traditional air freight companies that expanded into ground services in the 1990's as referred to in your testimony.

**Response:**

Federal Express and, possibly, Airborne.



Response of John Clark to UPS/CTC-T1-16  
Page 1 of 1

**UPS/CTC-T1-16.**

Is it generally more costly for a parcel delivery company to make residential deliveries of small parcels than to make commercial or business deliveries of small parcels? Please explain your answer.

**Response:**

CTC does not operate a residential or business delivery service to addressees, of course, and I would want to examine the relevant data, which I do not have, before responding to such a general question.

**Response of John Clark to UPS/CTC-T1-17**  
**Page 1 of 1**

**UPS/CTC-T1-17.**

**Which came first, the Postal Service's initial proposal of separate Destination Bulk Mail Center rates, or UPS's surcharge for residential deliveries?**

**Response:**

**The Postal Service's initial proposal for separate DBMC rates came first.**

UPS/CTC-T1-18.

Please refer to lines 16 through 18 on page 10 of your testimony.

- (a) To what are you referring when you state, "[i]t is also reported that parcels entered at the DBMC rate cover their direct costs and make both a positive and significant contribution to the overhead costs of the Postal Service"?
- (b) Define what you mean by "direct costs" on line 17 of page 10 of your testimony.

Response:

- (a) Early in 1997, I reviewed a document which I received from a Postal Service employee which was titled, "Profitability Rankings." This document listed each mail subclass or category and then listed the "FY 96 Profit per Dollar of Revenue (cents)." A footnote stated that "Profit per dollar of revenue is calculated using revenue and variable cost data derived from Finance's FY 96 Cost and Revenue Analysis Report. It equals revenue minus variable cost divided by revenue. \$63 million has been subtracted from DBMC and non-DBMC parcel post's total variable cost to adjust for air transportation cost premium incurred to serve Alaska." The above calculation for DBMC was \$.35 and the average for all classes was \$.39. That is the basis for my statement.
- (b) The term "direct costs" as used in my testimony is intended to refer to attributable costs that are applicable to a specific class of mail. I have been informed that attributable costs include costs classified as direct and indirect.

**Response of John Clark to UPS/CTC-T1-19**

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**UPS/CTC-T1-19.**

Please refer to lines 5 through 8 on page 11 of your testimony, where you refer to DBMC rates and "other parcel post improvements from 1991 to the present." List all Parcel Post improvements from 1991 to the present there referred to by you.

**Response:**

See response to question UPS/CTC-T1-5(d).

**Response of John Clark to UPS/CTC-T1-20**

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**UPS/CTC-T1-20.**

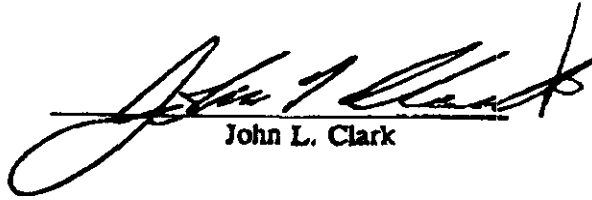
**Please state or provide an estimate of the percentage of CTC's parcels which are delivered to residences.**

**Response:**

**CTC does not electronically receive or maintain any information relative to the specific destination address of consignees and therefore is not able to categorize the nature of destination locations.**

**DECLARATION**

I, John L. Clark, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information and belief.

  
John L. Clark

Dated: 2/2/58